

Kevin Diaz, *Star Tribune*

WASHINGTON - Steeling for an epic budget battle in a new Tea Party-infused Congress, cash-strapped officials in Minnesota are being told to brace for up to \$5.5 billion in federal spending cuts for everything from road building to energy assistance.

That estimate, based on the state's share of President Obama's proposed five-year spending freeze, represents what could be just the starting point of deep budget cuts emerging as federal lawmakers deal with record deficits and a growing national debt.

As Obama prepares to unveil his budget Monday, Congress is considering cuts to farm and transit programs that could reach every corner of the state, from crop subsidies to the Central Corridor light-rail project between Minneapolis and St. Paul. That's on top of an earmark ban worth hundreds of millions of dollars a year to the state. Included is a plan in the House Budget Committee that would ratchet back spending to 2008 levels.

Yet another plan, floated on national television by U.S. Rep. Michele Bachmann, R-Minn., a Tea Party favorite, would slash as much as \$430 billion from the federal budget over five years.

Sparks have already begun to fly.

Bachmann was forced to withdraw her plan to cap veterans' health spending after coming under fire from groups like the Veterans of Foreign Wars. One of Bachmann's leading antagonists: U.S. Rep. Tim Walz, D-Minn., a National Guard veteran who has accused her of trying to "balance the budget on the backs of veterans who have risked life and limb in service of our country."

Republicans hit back by noting that over his career Walz has racked up \$132 million in earmarks -- projects that would benefit his southern Minnesota district. But earmarks are now off the table for everybody in the House and Senate. The House GOP-led ban on earmarks, to which Senate Democrats have reluctantly acquiesced, also forced Sen. Al Franken to announce that he would no longer accept requests on behalf of Minnesota constituents for the 2012 budget year.

Franken, a Democrat, has called for targeted budget cuts aimed at oil industry subsidies and defense programs and also called for repeal of the law that prevents Medicare from negotiating prices for seniors' drug benefit. That alone, Franken says, would save the government \$24 billion a year.

"I think there are other ways to do this," said Franken, parrying a fusillade of GOP budget cuts as well as the across-the-board reductions anticipated in Obama's spending freeze.

'Net decrease'

In his State of the Union address, Obama telegraphed a five-year domestic spending freeze that would yield \$400 billion in savings over the next 10 years.

Franken staffers have quietly produced a preliminary estimate showing Minnesota's share of such cuts could add up to as much as \$5.5 billion, or an average of \$550 million a year.

That's a rough cut based on Minnesota's 1.37 percent share of all federal expenditures to the states, including defense and "entitlement" spending such as Social Security and Medicare payments.

Whatever the final number, some analysts say the cuts will be a drag on the fragile economic recovery.

"It's all a net decrease to Minnesota's economy at a time when we're trying to juice it up and create jobs," said former state finance commissioner Jay Kiedrowski, now a senior fellow at the University of Minnesota's Humphrey Institute.

Aggravating Minnesota's fiscal headaches are its rapidly dwindling federal stimulus dollars.

Total stimulus spending in Minnesota is estimated at more than \$1.5 billion this year. In 2012, Minnesota Management and Budget officials expect that spending to drop to \$169 million, nearly a 10-fold decrease in money that has gone to road and building projects across the state.

Central Corridor targeted

One of the most ambitious deficit-reduction plans has come from the Republican Study Committee, a conservative caucus that includes U.S. Rep. John Kline, Bachmann and U.S. Rep. Erik Paulsen of Minnesota.

Among the group's targets are new mass transit projects, which could include the \$450 million federal share of the \$920 million Central Corridor light-rail line, the largest infrastructure project in the state.

With a deal set to be inked with federal transit authorities in the coming months, officials close to the project say it is unlikely Congress can stop it now. But U.S. Rep. Betty McCollum, a Democrat whose district includes St. Paul, says the GOP proposal "threatens to destroy hundreds of much-needed jobs ... and wipe out a generation of economic development opportunities."

With or without Central Corridor, plans to return to 2008 spending levels would shrink federal transportation funds in Minnesota to \$523 million -- down from \$614 million last year. Energy assistance funding would drop by nearly a third, from \$156 million in 2010 to the 2008 level of \$102 million. Everything from school lunches to college loans would face similar cutbacks.

Paulsen said that while the results could be painful, the nation has little choice. "We're borrowing 40 cents of every dollar we spend," he said. "That's unsustainable. We have to cut up the credit cards."